

PR 98 02

FOR IMMEDIATE RELEASE:

FRIDAY, Dec. 20, 2002

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## **BPA issues 2002 financial results**

**PORTLAND, Ore.** – The Bonneville Power Administration ended fiscal year 2002 in the black, but only because of significantly reduced expenses resulting from refinancing Energy Northwest bonds. Absent the refinancing of the bonds, losses could have exceeded \$300 million, according to BPA Administrator Steve Wright.

“BPA had severely depressed hydro revenues in 2002 due primarily to the 2001 drought, which left the Columbia River system short of surplus power to sell and market prices that were far lower than expected,” said Wright.

BPA has contractual agreements with Energy Northwest (ENW) to pay all of the entity’s costs, including principal and interest on bonds. The bond refinancings extended the life of the bonds, reducing ENW debt service and, thus, BPA’s expenses associated with ENW operations.

The lower expenses created an opportunity for BPA to amortize high-cost federal debt. This will reduce BPA’s costs now and in the future. BPA also drew down its financial reserves from \$625 million to \$188 million as a result of an overall revenue shortfall.

The outlook for the future is for more cost reductions. Last summer BPA began to see that its cost and revenue projections for the remaining four years of the rate period were showing a gap that could be as much as \$1.2 billion in the red if not addressed. In response, BPA is addressing the issue and already has reduced and deferred spending in 2002 by nearly \$100 million by cutting administrative costs, limiting hiring, restricting contracting, reviewing travel budgets, managing debt and adopting other cost controls.

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The agency has earmarked another \$348 million in expense reductions for the next four years. BPA currently projects that power related expenses can be controlled at 2001 levels, or below, through fiscal year 2006. Eliminating earlier rate reduction assumptions reduces the projected shortfall by another \$350 million.

BPA is pursuing an additional \$500 million in expense reductions and funding deferrals to further reduce the gap. The remainder of the shortfall will have to be closed by good hydro conditions and good markets for BPA's seasonal surplus power, by rate increases, or by some combination of these.

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